

Message Text

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PAGE 01 PARIS 06891 01 OF 02 251301Z
ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10
SSO-00 INRE-00 NSCE-00 OIC-02 IO-13 USIE-00 L-03
FRB-03 OMB-01 ITC-01 SP-02 AGRE-00 AID-05 CIAE-00
COME-00 INR-10 LAB-04 NSAE-00 SIL-01 STR-07
TRSE-00 CEA-01 SS-15 /129 W
-----040471 251318Z /40

O R 251257Z FEB 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 7645
USMISSION GENEVA IMMEDIATE
INFO AMEMBASSY JAKARTA
AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE
AMEMBASSY COLOMBO
AMEMBASSY LONDON
AMEMBASSY BONN
AMEMBASSY TOKYO
AMEMBASSY BRUSSELS
AMEMBASSY OTTAWA
AMEMBASSY MOSCOW

LIMITED OFFICIAL USE SECTION 01 OF 02 PARIS 06891

USEEC

E.O. 11652: N/A
TAGS: UNCTAD, ETRD, FR
SUBJECT: UNCTAD THIRD PREPARATORY MEETING ON RUBBER,
FEBRUARY 27 - MARCH 3

REF: (A) STATE 044156, (B) PARIS 05999 (NOTAL)

1. SUMMARY: WE HAVE NOW RECEIVED GOF RESPONSE TO
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PAGE 02 PARIS 06891 01 OF 02 251301Z

U.S. POSITION SET FORTH IN REF A. FRENCH WELCOME
U.S. READINESS TO PARTICIPATE IN A NEGOTIATION FOR A
NATURAL RUBBER PRICE STABILIZATION AGREEMENT. ON
PROCEDURE, THEY AGREE WITH LOGIC OF THREE-STAGE
PROCESS OUTLINED UNDER THIRD POINT OF REF A, PARA 3,
BUT THEY OBJECT TO USE OF THE OECD FRAMEWORK FOR THE
CONSUMER COORDINATION MEETING AND WOULD PREFER TO

KEEP THINGS IN AN UNCTAD CONTEXT. ON TIMING, THEY NOTE EXISTING UNCTAD INDICATIVE PLANNING DATE OF AUGUST 21, 1978, FOR COMMENCEMENT OF NEGOTIATIONS. ALTHOUGH THEY FEEL THIS DATE MAY SLIP SOMEWHAT, THEY HOPE U.S. WILL NOT RESIST PRODUCERS' DESIRES TO GET THINGS UNDERWAY BEFORE LATE THIS YEAR. TO THIS END, THEY SUGGEST THAT PERHAPS MAY -- JUST AFTER FOURTH PREPARATORY MEETING -- WOULD BE APPROPRIATE TIME FOR INFORMAL CONSUMER COORDINATION AT GENEVA. THIS TO BE FOLLOWED IMMEDIATELY BY PRODUCER/CONSUMER SESSION TO DRAFT WORKING TEXT WHICH, WHEN COMPLETED, WOULD ENABLE SEPTEMBER TARGET DATE TO BE ESTABLISHED FOR THE BEGINNING OF ACTUAL NEGOTIATIONS. ON SUBSTANCE, FRENCH SAY THEY (1) SUPPORT 400,000 TON BUFFER STOCK; (2) THINK IT IS GOING TO BE DIFFICULT TO AVOID SOME KIND OF CONTINGENCY PROVISIONS FOR EXPORT CONTROLS; AND (3) FEEL THAT CONSUMER COUNTRY CONTRIBUTIONS TO BUFFER STOCK FINANCING ARE ESSENTIAL. END SUMMARY.

2. AFTERNOON OF FEBRUARY 24, LOIC HENNEKINNE, WHO IS QUAI OFFICER RESPONSIBLE FOR COMMODITY POLICY, AND BERNARD MIYET OF FONOFF U.N. AND INTERNATIONAL ORGANIZATION AFFAIRS DIRECTORATE GAVE US GOF REACTION TO U.S. POSITION AT FORTHCOMING UNCTAD RUBBER MEETING, WHICH WE HAD PRESENTED TO THEM ON FEBRUARY 22 LIMITED OFFICIAL USE

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PAGE 03 PARIS 06891 01 OF 02 251301Z

(REF B). THE FOLLOWING PARAGRAPHS DESCRIBE ESSENTIAL POINTS OF THEIR RESPONSE.

3. FRANCE WELCOMES THE U.S. GOVERNMENT'S DECISION TO AGREE TO PARTICIPATE IN A NEGOTIATION BETWEEN PRODUCERS AND CONSUMERS AIMED AT CONCLUDING A NATURAL RUBBER PRICE STABILIZATION AGREEMENT.

4. GOF IS IN AGREEMENT WITH LOGIC BEHIND U.S. RECOMMENDATION THAT THE NEGOTIATING PROCESS BE CARRIED OUT IN THREE STAGES. IT ALSO AGREES THAT A CONSUMER COORDINATION MEETING COULD BE THE FIRST OF THESE THREE STEPS, SINCE SUCH A MEETING WILL SERVE TO EXPEDITE THE FOLLOWING STAGES WHERE BOTH PRODUCERS AND CONSUMERS WILL COME TOGETHER TO DRAFT A WORKING TEXT AND THEN BEGIN ACTUAL NEGOTIATIONS.

5. REGARDING THE TIMING OF THESE THREE STAGES, GOF HOPES WE CAN AVOID GIVING THE IMPRESSION THAT WE ARE TRYING TO RETARD THINGS. HENNEKINNE NOTED THE UNCTAD RUBBER PREPARATORY GROUP HAD ALREADY SET AN INDICATIVE PLANNING DATE OF AUGUST 21, 1978, FOR

THE BEGINNING OF NEGOTIATIONS. AUGUST WAS A "BAD MONTH FOR NEGOTIATIONS", BOTH MEN ADMITTED, AND HENNEKINNE ADDED THAT SOME SLIPPAGE IN THIS DATE WAS PROBABLY INEVITABLE. NEVERTHELESS, HE CONTINUED, LDC'S IN GENERAL AND THE ASSOCIATION OF NATURAL RUBBER PRODUCING COUNTRIES (ANRPC) IN PARTICULAR

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PAGE 01 PARIS 06891 02 OF 02 251309Z
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O R 251257Z FEB 78
FM AMEMBASSY PARIS
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LIMITED OFFICIAL USE SECTION 02 OF 02 PARIS 06891

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WERE KEEN TO GET MOVING. GOF FEELS WE SHOULD TRY TO AVOID UNNECESSARILY POLITICIZING THINGS WITH THE KIND OF LDC PETULANCE WHICH IS SURE TO CROP UP IF IT LOOKED AS THOUGH THERE WAS DC RESISTANCE TO AN EXPEDITIOUS START OF ACTUAL NEGOTIATIONS. ALSO WITH

A VIEW TO LDC SENSITIVITIES, MIYET GAVE THREE REASONS WHY THE GOF WAS NOT IN FAVOR OF USING "OECD RICH MAN'S CLUB" AS THE VENUE FOR CONSUMER LIMITED OFFICIAL USE

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PAGE 02 PARIS 06891 02 OF 02 251309Z

COUNTRY RUBBER CONSULTATIONS: (1) IT MIGHT BE INTERPRETED BY SOME PRODUCERS AS CONFRONTATIONAL; (2) WE WOULD BE SETTING WHAT THE GOF CONSIDERS TO BE AN UNDESIRABLE PRECEDENT FOR THE OTHER SEVENTEEN UNCTAD COMMODITIES; AND (3) THE RUBBER PRODUCING LDC'S OF SOUTHEAST ASIA ARE GENERALLY AMONG THE MOST MODERATE AND CONCILIATORY MEMBERS OF THE G-77, AND WE SHOULD PRESERVE THE BEST POSSIBLE ATMOSPHERE IN OUR RELATIONS WITH THEM. WITH ALL THESE PROBLEMS IN MIND, HE SAID, THE GOF FELT IT WOULD BE BEST NOT TO HOLD OFF NEGOTIATIONS TO THE VERY END OF THE YEAR AND TO KEEP THINGS AS CLOSE TO UNCTAD AS WE CAN.

6. THUS, TO REDUCE AS MUCH AS POSSIBLE THE CHANCES OF A "BAD ATMOSPHERE" DEVELOPING, MIYET CONTINUED, THE GOF SUGGESTS THAT TWO OR THREE DAYS IN GENEVA IN MAY, JUST AFTER THE FOURTH PREPARATORY MEETING, MIGHT BE THE MOST APPROPRIATE TIME FOR INFORMAL CONSUMER CONSULTATIONS. THESE WOULD BE FOLLOWED IMMEDIATELY BY A TWO OR THREE DAY PRODUCER/CONSUMER SESSION TO DRAFT A WORKING TEXT. THIS, IN TURN, WOULD ENABLE A SEPTEMBER TARGET DATE (HE MENTIONED SEPTEMBER 18 AS A GOOD POSSIBILITY) TO BE ESTABLISHED FOR THE BEGINNING OF ACTUAL NEGOTIATIONS.

7. TURNING TO THE SUBSTANCE OF A POSSIBLE AGREEMENT, HENNEKINNE MADE THREE POINTS. FIRST, FRANCE WOULD SUPPORT A 400,000 TON NATURAL RUBBER BUFFER STOCK. HOWEVER, SECOND, GOF WILL WANT TO LEARN JUST HOW PROFOUND ARE U.S. RESERVATIONS REGARDING THE USE OF EXPORT CONTROLS AND THE EFFECTS OF PRODUCE EXPORT TAXES. FRANCE, HE SAID, CAN SEE WORLD MARKET CONDITIONS IN WHICH PRODUCTION MANAGEMENT MIGHT BE LIMITED OFFICIAL USE

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PAGE 03 PARIS 06891 02 OF 02 251309Z

NECESSARY TO AVOID EITHER THE COLLAPSE OF A PREVAILING PRICE STRUCTURE OR THE BUILD-UP OF UNWIELDY, LARGE INVENTORIES. THIRD -- AND HE WAS EMPHATIC IN STRESSING THIS LAST POINT -- THE GOF BELIEVES THAT JOINT FINANCING OF BUFFER STOCKS BY BOTH PRODUCERS AND CONSUMERS IS ESSENTIAL IF CONSUMERS ARE TO

MAINTAIN LEVERAGE EFFECTING STABILITY OF PRICES AND
SECURITY OF SUPPLIES. AGREEMENT AMONG CONSUMERS IN
THIS REGARD SHOULD BE A PRINCIPAL OBJECTIVE OF
CONSUMER COORDINATION MEETINGS, HE CONCLUDED.
GAMMON

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